

Federal Columbia River Power System (FCRPS)
FY 2003 THIRD QUARTER REVIEW

Net Revenues and Reserves

Projection for FY 2003



August 18, 2003

FY 2003 EXECUTIVE HIGHLIGHTS August 2003

(\$ in Millions)

	FY 2002 <u>Actuals 1/</u>	FY 2003					
		2002 Final Rate Proposal 1/		Agency Target 1/	Current Forecast		
					without FAS 133 1/	with FAS 133 2/	
1. REVENUES	3,495.3	2,989.2	3/	3,757.7	3,579.9	3,625.8	
2. EXPENSES	3,524.3	2,878.4	3/	3,751.9	3,069.5	3,069.5	
3. NET REVENUES	(29.0)	110.8		5.8	510.4	5/ 6/ 556.3	5/
4. END OF YEAR FINANCIAL RESERVES 4/	187.8	1,228.0		200.0	483.0	8/ 483.0	8/
5. BPA ACCRUED CAPITAL EXPENDITURES	390.5	374.3		495.0	7/ 493.0	493.0	

Footnotes

- 1/ Does not include mark-to-market adjustments required by SFAS 133.
Actual Net Revenues for FY 2002 with the mark-to-market adjustment were \$9.5 million.
- 2/ Includes an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by SFAS 133 for identified derivative instruments.
- 3/ Includes revenues and expenses from the proposed rate test in May 2000 Power Revenue Requirement Study because the June 2001 Power Supplemental Proposal only showed net revenues in the risk analysis and did not contain explicit revenues and expense forecasts.
Revenues and expenses do not include \$19.8 million of reimbursable items.
- 4/ Financial reserves equal total cash plus deferred borrowing.
- 5/ Financial forecasts are highly volatile and will change with market prices and water conditions.
- 6/ Includes \$356 million of expense reductions due to refinancing Energy Northwest debt. Absent these expenses reductions, principally resulting from debt management actions, BPA's net revenues would be \$154 million. This gain would have been less if Energy Northwest had not reduced its costs due to the following actions: freeing up reserve funds through the issuance of surety bonds, settling with Bank of America on bearer bonds, issuing more variable rate debt, borrowing for a fuel storage facility, and changing its fuel purchase strategy. Absent these additional actions, BPA's net revenues would have \$49 million. Refinancing the Energy Northwest debt was not assumed in the 2002 Final Rate Proposal.
- 7/ Reflects reductions in BPA's capital spending to accommodate the FY 2003 law limiting use of borrowing authority to \$531 million.
- 8/ About \$200 million of the forecasted year-end reserves are due to actions that deferred payments into the future or created a potential for a future cash obligation. Some of these actions also increased net revenues by about \$100 million.

Report ID: MRV1010

Requesting Business Unit:

CORPORATE BUSINESS UNIT

FCRPS Quarterly Review

Net Revenue Target Report

Through the Month Ended June 30, 2003
Preliminary Unaudited/ For Internal Use Only

\$ in thousands

% of Year Lapsed =

75%

	A	B	C	D	E	F
	<u>Previous FY</u>		<u>Current End of</u>	<u>Current</u>		<u>Actuals as a</u>
	<u>Actuals</u>	<u>Target</u>	<u>Year Forecast</u>	<u>Forecast as a</u>	<u>Actuals: FYTD</u>	<u>% of Target</u>
				<u>% of Target</u>		
Operating Revenues:						
1. Revenue	3,452,374	3,674,678	3,392,275	92%	2,463,668	67%
2. MTM Gain/(Loss) Derivative Instrument <Note 1	38,354		45,942		45,942	
3. Other	43,000	83,007	187,541	226%	96,425	116%
4. Total Operating Revenues	3,533,728	3,757,685	3,625,758	96%	2,606,035	69%
Operating Expenses:						
5. PBL Operations & Maint. (NOM and Non-NOM)	417,203	418,485	392,962	94%	247,876	59%
6. TBL Operations and Maintenance	281,678	279,260	247,814	89%	172,244	62%
7. Undistributed Corporate Overhead	(97)				(1,019)	
8. Corporate Misc Income Deductions	(2,638)		(5,855)		(6,234)	
9. Addition to Bad Debt Reserves	57,668		5		9	
10. Other Entities Operations & Maintenance	421,909	493,500	470,387	95%	335,306	68%
11. Power Acquisitions	1,286,867	1,127,596	994,337	88%	771,211	68%
12. Non-Federal Debt Service	230,175	589,173	128,370	22%	40,185	7%
13. Residential Exchange	143,983	143,802	143,802	100%	107,746	75%
14. Depreciation	254,332	261,425	268,000	103%	199,427	76%
15. Conservation and Fish and Wildlife Amortization	80,874	79,085	80,000	101%	62,126	79%
16. Total Operating Expenses	3,171,953	3,392,326	2,719,822	80%	1,928,876	57%
17. Net Operating Revenue	361,774	365,359	905,936	248%	677,158	#N/A
Interest Expense:						
18. Interest	410,192	383,322	378,694	99%	276,918	72%
19. AFUDC	(57,892)	(23,787)	(29,000)	122%	(22,516)	95%
20. Total Interest Expenses	352,300	359,535	349,694	97%	254,402	71%
21. Net Revenue (Expense) <Note 2	9,474	5,824	556,242	9550%	422,757	#N/A

1) This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by SFAS 133 for identified derivative instruments.

2) The Target in column B was established assuming no ENW debt service savings and zero mark-to-market gains or losses.

If the current forecast of Energy Northwest debt service savings less the expected bond premiums associated with the debt optimization program had been known and included, along with the current forecast of the mark-to-market gain, the targeted net revenues would have been \$492 million.

Report ID: 2200FY03	Power Business Line				
	Accumulated Net Revenue - used for SN CRAC, FB CRAC & DDC Calculations				
Run Date/Time: August 06,2003 14:40	Preliminary Unaudited/For Internal Use Only				
Reporting Period June 30, 2003	\$ in thousands				% of Year Lapsed = 75%

	<u>Actuals FY 2000</u>	<u>Actuals FY 2001</u>	<u>Actuals FY 2002</u>	<u>Current Year Forecast</u>	<u>Accumulated Results</u>	<u>FY 2003 Threshold</u>	
Total Revenues	2,720,940	3,888,052	3,047,803	3,151,189	12,807,983		1/
Total Expenses	2,468,811	4,100,095	3,135,224	2,904,033	12,608,162		
Net Revenue (Expense) from Continuing Operations	252,130	(212,043)	(87,421)	247,156	199,821		
FAS 133: Accounting for Derivative Instruments and Hedging Activities		47,877	38,354	45,942	132,173		
Debt Service Energy Northwest per Accounting Record	525,441	445,148	264,168	408,629	1,643,386		
Debt Service Energy Northwest per Rate Case	607,118	603,001	528,865	565,829	2,304,814		
IOU Settlement 2/	0	0	0	0	0		
Adjusted Net Revenue	170,453	(417,773)	(390,472)	44,014	(593,779)	(377,000)	3/

This report is reliant upon a forecast of projected end-of-year Accumulated Net Revenues (ANR) as adjusted per the rate filing (see below), and as of the reporting date. The report is published to determine if the Adjusted ANR (FB CRAC Adjusted ANR) forecast at the end of the current fiscal year is below the FB CRAC Threshold. This report is not an absolute prediction of future revenue or costs, nor does it reflect the actual ANR for the end of the fiscal year. This report should not be used for investment purposes, nor is it a guarantee that the actual ANR will be achieved as forecasted.

The ANR is defined in the 2003 Safety-Net Cost Recovery Adjustment Clause Final Proposal ROD as "generation function net revenues, as accumulated since 1999, at the end of each of the FY 2001- 2005...confirmed by BPA's independent auditing firm." The FB CRAC Adjusted ANR is distinguished from the BPA ANR in three ways: the FB CRAC Adjusted ANR does not include the impact of SFAS 133 transactions (Accounting for Derivative Instruments and Hedging Activities); secondly, the FB CRAC Adjusted ANR includes the Energy Northwest debt service expenses as forecasted in the WP-02 Final Studies, (instead of the actual Energy Northwest debt service expenses as used in calculating the BPA ANR); and thirdly, the FB CRAC Adjusted ANR excludes any IOU settlement payments resulting from litigation and includes IOU benefits payments as forecasted in the SN-03 Final Proposal.

The SN CRAC is an upward adjustment to the May 2000 rates for FY 2004-2006 that is calculated by a formula that compares PBL Accumulated Net Revenues (ANR) (as defined by the FB CRAC) to three Annual Thresholds, and places caps on the amount of revenue that can be generated each year. The SN CRAC is additive to any LB CRAC or FB CRAC adjustments.

The Dividend Distribution Clause (DDC) is similarly reliant upon the forecasted ANR, and the Adjusted ANR.

1/ Threshold calculated in August 2003 to calculate FB and SN CRACs for FY 2004

2/ New line item, added to report August 2003.

3/ Estimate as of August 2003, subject to change.